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Berlin, 15 December 2008

Dear David,

Next steps of the IASB in response to the credit crisis

On behalf of the German Accounting Standards Board (GASB) I am writing to share with you our views in respect of what steps the IASB should take next in response to the credit crisis and thereby follow – up on the meeting you and Jochen had on 5 December.

We affirm our opinion, explicitly expressed in earlier communications¹, that all unresolved financial reporting issues resulting from the credit crisis should solely be addressed by the IASB and that the IASB's due process should be followed with no exceptions. We fully support the latest information gathering efforts that the IASB has undertaken together with the FASB by holding three roundtables on the global financial crisis and appointing a high-level advisory group.

However, we strongly believe that the IASB should before year end prominently communicate the next steps it is planning to pursue and the progress it is currently making. When considering its actions the IASB should bear in mind the building pressure towards the year end which will force others to act - possibly unilaterally - if the IASB does not do so. The guiding principle should be levelling the playing field between IFRS and US GAAP as pronounced and as practiced. We see differences particularly in the area of (re)-classification of assets.

¹ Refer to our letters to the German Federal Ministry of Justice dated 13 October 2008 and to the European Commission dated 20 October 2008 as well as the Communiqué from Members of the National Standard Setters Group dated 14 November 2008.



Such communication should be addressed to the IASB's constituents. It should clearly state the issues that will be addressed, the form in which this will happen and the respective time frame.

In our view, the issues to be considered urgently in an IASB communication before year-end 2008 should encompass the following:

- Fair Value Option: reclassification in certain cases
- Embedded derivatives: treatment of synthetic CDOs and interaction between IAS 39 and IFRIC 9
- Impairment Requirements in IAS 39: reversal of impairment losses for equity instruments
- Fair Value Measurement in inactive markets: authoritative level of guidance

If the IASB does not issue additional or modified rules that would apply to 31 December 2008 financial years we believe it is necessary to publicly clarify this as early as possible to mitigate the respective uncertainty that we believe exists among preparers and investors.

We believe that the communication urged by us above should explain – if the IASB feels it can not act now - for each issue why it can or cannot be addressed near term and what progress has been made so far on the individual issues. Finally we suggest that the communication provides insight into the measures that the IASB intends to pursue to close as soon as possible the issues and remaining differences to US-GAAP.

If you would like to discuss our comments further, please do not hesitate to contact me.

Yours sincerely,

Liesel Knorr
President